Approved For Release 2009/04/15 : CIA-RDP84T00109R000100060005-0 **EXECUTIVE SECRETARIAT Routing Slip** INFO DATE INITIAL **ACTION** TO: 1 DCI DDCI **EXDIR** D/ICS DDI 5 DDA 6 7 DDO DDS&T Chm/NIC 10 GC 12 Compt D/EE0 D/Pers D/OEA C/PAD/OEA 17 SA/IA AO/DCI C/IPD/OIS N10/ETON 21 22 SUSPENSE Remarks: NSC review completed. 3637 (10 -8 1)

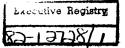
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THE WHITE HOUSE WASHINGTON





CABINET AFFAIRS STAFFING MEMORANDUM

DATE: DUE BY:								
SUBJECT: Cabinet Cou	ncil on I	Economi	c Affairs - October 27,	, 1982	· · · · · · · · · · · · · · · · · · ·			
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REMARKS:

Attached for your information are the minutes from the October 27 meeting of the CCEA.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456–2823

Becky Norton Dunlop Director, Office of Cabinet Affairs 456-2800



MINUTES CABINET COUNCIL ON ECONOMIC AFFAIRS

October 27, 1982 11:00 a.m. Room 208

Attendees: Messrs. Regan, Donovan, Edwards, Lewis, Schweiker, Meese, Stockman, Brock, Harper, Porter, Hovde, Sprinkel, Poole, Krugman, Dederick, Platt, Cribb, Keel, Schneider, Cicconi, Robinson, Macdonald, Trent, Gregg, and Denend, Ms. Risque and Ms. Dunlop.

The Yen-Dollar Relationship and Japanese Market Restrictions

The Council reviewed a paper prepared jointly by the Department of the Treasury and the Council of Economic Advisers assessing the yen-dollar relationship.

Mr. Sprinkel noted that the relationship of the yen to the dollar is an issue pressed by those seeking protection from what they see as unfair trade practices by the Japanese. He outlined the conclusions of the Treasury-CEA study on the yen-dollar relationship:

- There is no reason to believe that the Japanese government has taken actions to reduce the value of the yen;
- There is no reason to conclude that the Japanese yen is more undervalued against the dollar than the currencies of our other major competitors (the principal method, purchasing power parity, used to evaluate relative currency values is useful in the long run but not helpful in the short run);
- In fact, the Japanese government has tried to support the yen, although unsuccessfully; and
- 4. Responding to U.S. pressure in part, the Japanese have liberalized their capital markets. Capital flows confirm this fact. The short term effect of this liberalization is to weaken the yen.

Mr. Sprinkel noted that these conclusions support a policy consisting of four basic positions:

- 1. Not indicating that we believe the Japanese are depressing the value of the yen;
- Not pressing for a change in Japanese government policy toward the yen-dollar relationship;

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- 3. Continuing to press the Japanese to open their financial system to foreign participation because of the long term benefits, even though a more open system could exert downward pressure on the yen in the short run; and
- 4. Opposing proposals to intervene in the exchange markets jointly with the Japanese or to initiate actions in the IMF implying that we believe the yen is being manipulated by the Japanese government.

The Council discussed the broader implications of the current yen-dollar relationship. The current strength of the dollar against all major currencies makes the problem facing U.S. exporters a dollar problem rather than a yen problem. This situation is likely to persist over the next two years. Given this assessment, it is important to consider the dislocations that will occur as the economy makes the transition from inflationary policies to economic growth without inflation. The Administration must develop a policy applying to those firms hardest hit during this transition.

The Council discussed the appropriate strategy for the meeting to be held with the Export Committee of the Business Roundtable. A key issue for the Administration will be to develop a trade strategy. This meeting should be considered as a part of that process. It will probably be the first of several meetings during which we will want to consult on how to improve U.S. competitiveness. Many of the firms represented in this meeting have tried hard to cut costs over the past year, yet they feel their efforts have been made irrelevant by the depreciation of the yen during the same period. It is important for the Administration to acknowledge these efforts as we work with these executive firms to develop a successful strategy.